

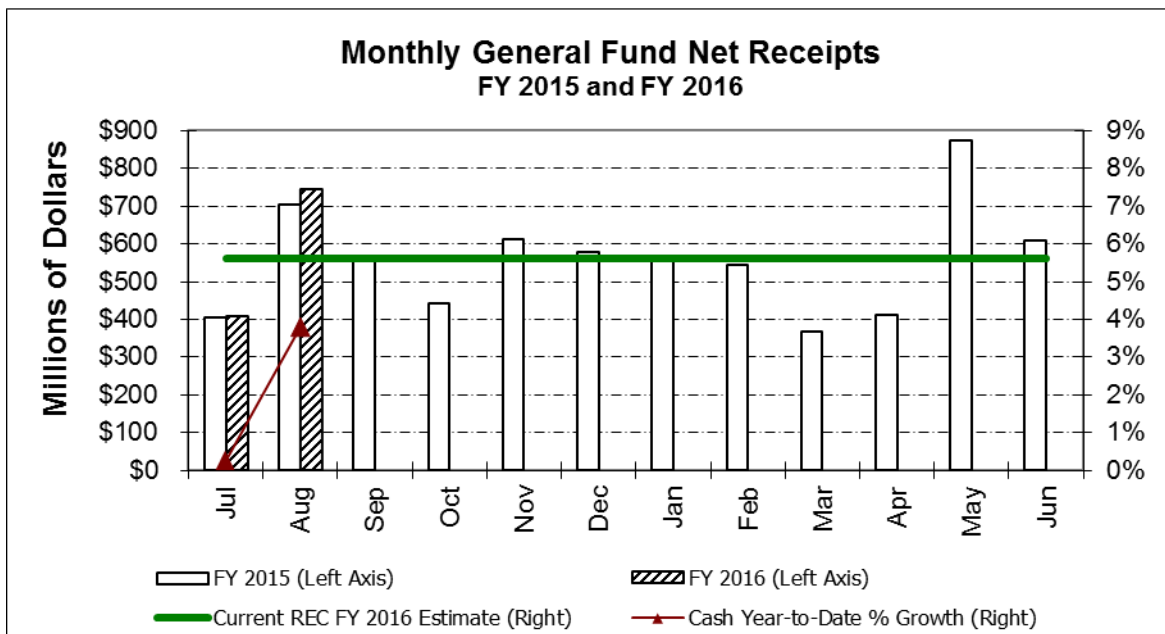
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Robin Madison

DATE: September 1, 2015

Monthly General Fund Receipts through August 31, 2015

The attached spreadsheet presents FY 2016 General Fund total net receipts with comparable figures for actual FY 2015. The figures can be compared to the FY 2016 estimate of \$7.075 billion set by the Revenue Estimating Conference (REC) on March 19, 2015. The FY 2016 estimate is an increase of \$375.5 million (5.6%) compared to actual FY 2015 total net receipts (excludes transfers). The next REC meeting has been scheduled for October 13, 2015.



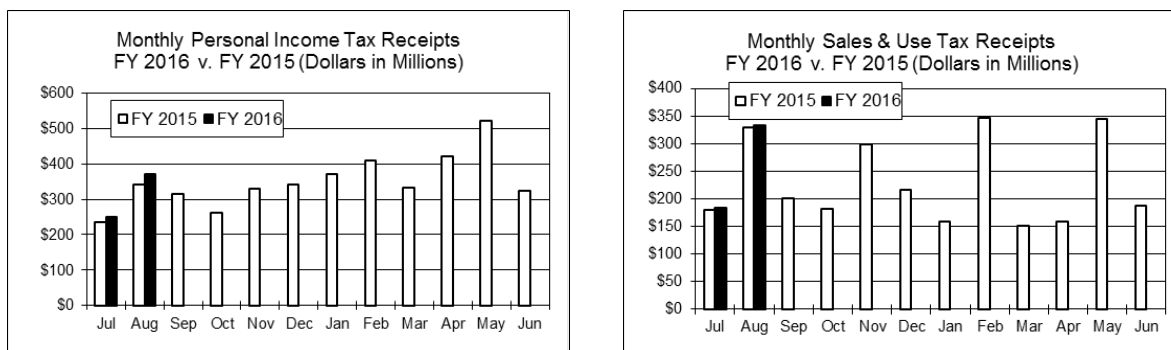
Overview of Current Situation

August 2015 net General Fund revenue was \$41.1 million (5.8%) above the August 2014 revenue level. Cash fiscal year-to-date net receipts are \$42.3 million (3.8%) higher than FY 2015. Major sources of revenue and their contribution to FY 2016 change include:

- Personal income tax (positive \$45.0 million, 7.8%)
- Sales/use tax (positive \$6.9 million, 1.4%)
- Corporate tax (positive \$2.4 million, 8.1%)
- Other taxes (positive \$4.0 million, 5.6%)
- Other receipts (positive \$0.9 million, 2.2%)
- Tax refunds not including school infrastructure refunds (negative \$6.9 million)
- School infrastructure sales/use tax refunds (negative \$10.2 million)

Personal Income Tax revenue received in August totaled \$372.2 million, an increase of \$29.9 million (8.7%) compared to August 2014.

The FY 2016 REC income tax estimate of \$4.494 billion represents a projected increase of 6.8% compared to actual FY 2015. By subcategory, withholding payments increased \$35.3 million (6.6%), estimate payments increased \$5.3 million (17.2%), and payments with returns increased \$4.4 million (29.5%). The following chart compares FY 2016 monthly income tax receipts from the three personal income tax subcategories with FY 2015.



Sales/Use Tax receipts received in August totaled \$332.4 million, an increase of \$3.4 million (1.0%) compared to August 2014.

The REC estimate for FY 2016 sales/use tax receipts is \$2.891 billion, an increase of 5.0% compared to actual FY 2015. The preceding chart compares FY 2016 monthly sales/use tax receipts with FY 2015.

Corporate Tax receipts received in August totaled \$12.4 million, an increase of \$4.6 million (59.0%) compared to August 2014.

The REC estimate for FY 2016 corporate tax revenue is \$560.3 million, a decrease of 2.8% compared to actual FY 2015.

Other tax receipts received in August totaled \$61.7 million, a decrease of \$2.2 million (-3.4%) compared to August 2015. Franchise tax decreased significantly, and inheritance tax was the only category to show a gain for the month.

The REC estimate for FY 2016 other tax revenue is \$260.8 million, an increase of 0.5% compared to actual FY 2015.

Other receipts (nontax receipts) received in August totaled \$18.0 million, a decrease of \$0.6 million (-3.2%) compared to August 2014.

The REC estimate for FY 2016 other receipts revenue is \$276.4 million, a decrease of 6.3% compared to actual FY 2014.

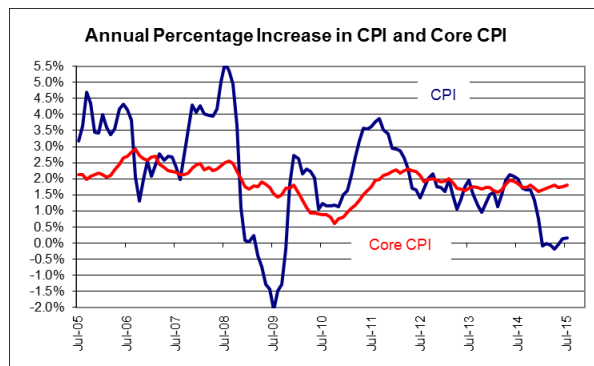
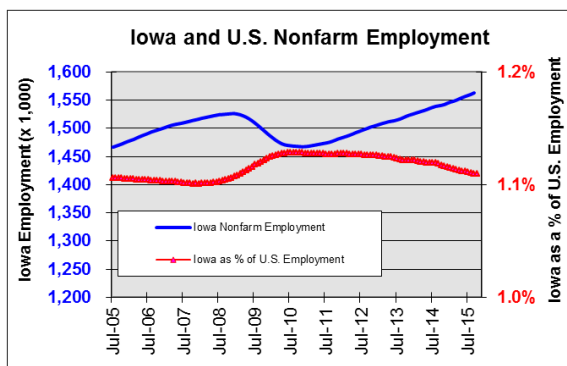
Tax Refunds issued in August totaled \$13.7 million, a decrease of \$9.2 million compared to August 2014. In addition, school infrastructure refunds totaled \$38.9 million, an increase of \$3.4 million compared to August 2014.

Status of the Economy

Iowa nonfarm employment was reported at 1,569,400 for the month of July 2015 (not seasonally adjusted), 30,200 (2.0%) higher than July 2014.

Iowa's 12-month average employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession (January 2001). The current 12-month average reading is now 1,563,100, resulting in an annual average Iowa nonfarm employment level 36,700 above the October 2008 peak.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Iowa's percent of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment since June 2010 and currently is at its lowest level since March 2009.



The Consumer Price Index (CPI-U) through July 2015 was 238.7 (1983/84=100). Consumer prices increased 0.1% in July (not seasonally adjusted) and the annual rate of inflation was 0.17%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.03% in July and totaled 1.8% year-over-year. The annual rate of core inflation has been at or below 2.0% since July 2012. For the two components excluded from the core rate, energy prices are down 14.8% year-over-year, while food prices are up 1.6%.

Information related to State General Fund receipts is available on the Fiscal Services Division website at: <https://www.legis.iowa.gov/receipts/daily.html>.

| GENERAL FUND RECEIPTS - FY 2016 vs. FY 2015 July 1 through August 31 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers. | | | | | ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 15 Actual Compared to FY 16 REC Estimate | | |
|---|------------|------------|--------------------------|--------------------|--|---------------------|-----------------------|
| | FY 2015 | FY 2016 | Year-to-Date % Change | August % Change | Actual FY 2015 | Estimate FY 2016 | Projected % Change |
| Personal Income Tax | \$ 578.5 | \$ 623.5 | 7.8% | 8.7% | \$ 4,207.2 | \$ 4,493.5 | 6.8% |
| Sales/Use Tax | 509.4 | 516.3 | 1.4% | 1.0% | 2,753.1 | 2,891.0 | 5.0% |
| Corporate Income Tax | 29.7 | 32.1 | 8.1% | 59.0% | 576.3 | 560.3 | -2.8% |
| Inheritance Tax | 14.0 | 16.6 | 18.6% | 11.6% | 87.0 | 95.6 | 9.9% |
| Insurance Premium Tax | 51.4 | 52.3 | 1.8% | -2.0% | 109.6 | 107.7 | -1.7% |
| Cigarette/Tobacco Tax | 0.0 | 0.0 | 0.0% | 0.0% | 0.0 | 0.0 | N.A. |
| Beer/Liquor Tax | 2.7 | 2.8 | 3.7% | 0.0% | 14.5 | 14.5 | 0.0% |
| Franchise Tax | 2.7 | 3.2 | 18.5% | -88.0% | 46.9 | 41.8 | -10.9% |
| Miscellaneous Tax | 0.1 | 0.0 | -100.0% | -100.0% | 1.4 | 1.2 | -14.3% |
| Total Gross Taxes | \$ 1,188.5 | \$ 1,246.9 | 4.9% | 4.8% | \$ 7,796.0 | \$ 8,205.6 | 5.3% |
| Institutional Payments | 3.3 | 2.9 | -12.1% | 30.8% | 15.5 | 7.8 | -49.7% |
| Liquor Profits | 18.3 | 18.1 | -1.1% | -31.1% | 108.4 | 98.7 | -8.9% |
| Interest | 0.5 | 0.6 | 20.0% | 0.0% | 3.7 | 3.4 | -8.1% |
| Fees | 5.4 | 4.5 | -16.7% | 0.0% | 27.8 | 27.1 | -2.5% |
| Judicial Revenue | 8.3 | 9.7 | 16.9% | 100.0% | 99.9 | 100.0 | 0.1% |
| Miscellaneous Receipts | 4.4 | 5.3 | 20.5% | 27.8% | 39.7 | 39.4 | -0.8% |
| Racing and Gaming Receipts | 0.0 | 0.0 | 0.0% | 0.0% | 0.0 | 0.0 | N.A. |
| TOTAL GROSS RECEIPTS | \$ 1,228.6 | \$ 1,287.9 | 4.8% | 4.6% | \$ 8,091.0 | \$ 8,482.0 | 4.8% |
| Accrued Revenue-Net** | | | | | 27.4 | 20.0 | |
| Tax Refunds * | -51.0 | -57.9 | 13.5% | -40.2% | -967.9 | -953.0 | -1.5% |
| School Infrast. Refunds * | -68.1 | -78.3 | 15.0% | 9.6% | -450.7 | -473.7 | 5.1% |
| TOTAL NET RECEIPTS | \$ 1,109.5 | \$ 1,151.8 | 3.8% | 5.8% | \$ 6,699.8 | \$ 7,075.3 | 5.6% |
| * For FY 2015 and FY 2016 Year-to-Date columns, refunds are presented on a cash basis. For FY 2015 Actual and FY 2016 Estimate, refunds are presented on a fiscal year basis. The Total Gross Receipts and Tax Refunds items are now final for FY 2015. | | | | | | | |